



**Nicole Galloway, CPA**

**Missouri State Auditor**

**Office of State Treasurer**

Report No. 2022-052

August 2022

[auditor.mo.gov](http://auditor.mo.gov)



# CITIZENS SUMMARY

## Findings in the audit of the Office of State Treasurer

### Background

The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state money not needed for current operating expenses; and to invest such money in interest-bearing time deposits at Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, short-term U.S. government securities, or certain allowable commercial paper and banker's acceptances. The Office of State Treasurer operates in four major functional areas (1) accounting and banking services, (2) general and administrative services, (3) investments and deposit programs, and (4) unclaimed property.

### Findings

The audit identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures. No findings resulted from this audit.

In the areas audited, the overall performance of this entity was **Excellent**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Office of State Treasurer

## Table of Contents

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State Auditor's Report	2
------------------------	---

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Organization and Statistical Information	4
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### Appendixes

A	Statement of Receipts, Disbursements, and Changes in Cash and Investments Year Ended June 30, 2021 .....	6
B	Comparative Statement of Appropriations and Expenditures 2 Years Ended June 30, 2021 .....	8
C	Comparative Statement of Expenditures (From Appropriations) 5 Years Ended June 30, 2021 .....	10
D	Comparative Statement of Funds in Custody of State Treasurer 5 Years Ended June 30, 2021 .....	11
E	Comparative Statement of Interest Received on Pooled Investments 5 Years Ended June 30, 2021 .....	12
	Notes to the Appendixes .....	13



## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

Honorable Scott Fitzpatrick, State Treasurer  
Jefferson City, Missouri

We have audited certain operations of the Office of State Treasurer, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2021. The objectives of our audit were to:

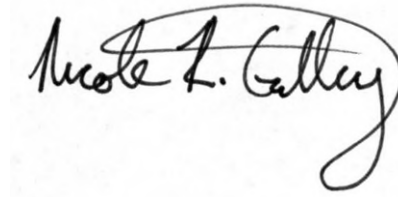
1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We reviewed receipt, disbursement, and payroll transactions, and cash and investment activity; and performed sample testing of some of these areas using haphazard and judgmental selection, as appropriate. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Office of State Treasurer.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA  
State Auditor

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# Office of State Treasurer

## Organization and Statistical Information

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The Office of State Treasurer is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV Section 15 are to be the custodian of all state funds; to determine the amount of state money not needed for current operating expenses; and to invest such money in interest-bearing time deposits at Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, short-term U.S. government securities, or certain allowable commercial paper and banker's acceptances.

The Office of State Treasurer operates in four major functional areas (1) accounting and banking services, (2) general and administrative services, (3) investments and deposit programs, and (4) unclaimed property.

The accounting and banking services area (1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, (2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances, (3) controls receipt of state money collected by state agencies and deposited in local banks throughout the state, (4) reconciles bank activity to receipt and disbursement activity reflected on the state books, (5) determines the amount of state money not needed for current operating expenses, and (6) confirms daily disbursements with the bank as certified by the Office of Administration.

The general and administrative services area provides processing support to other areas of the office by (1) operating the central check mail service, (2) controlling and processing outlawed and replacement checks, and (3) processing invoices for office expenditures.

The investments area places state money not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447, RSMo). The Unclaimed Property Division is responsible for (1) ensuring unclaimed property is reported, (2) receiving and recording reports of unclaimed property, (3) depositing unclaimed funds to the Abandoned Fund Account Fund, (4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and (5) processing owner claims for abandoned funds or physical property.

Governor Michael L. Parson appointed Scott Fitzpatrick as the forty-seventh State Treasurer, and he was sworn in on January 14, 2019. Treasurer



## Office of State Treasurer Organization and Statistical Information

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Fitzpatrick was elected to a four year term of office in November 2020. His term expires in January 2025.

As of June 30, 2021, the office had 41 full-time positions to assist in the accomplishment of its mission.

## Financial Activity

A summary of the office's operating financial activity, cash and investment balances, and investment income is presented in the following Appendixes and in the Notes to the Appendixes.

## Appendix A

### Office of State Treasurer Statement of Receipts, Disbursements, and Changes in Cash and Investments Year Ended June 30, 2021

#### STATE TREASURER'S GENERAL OPERATIONS FUND

Receipts	\$ 2,614,317
Disbursements	<u>2,004,399</u>
Receipts Over (Under) Disbursements	<u>609,918</u>
Transfers In	0
Transfers Out <sup>1</sup>	<u>(944,247)</u>
Receipts Over (Under) Disbursements and Transfers	<u>(334,329)</u>
Cash and Investments, July 1	<u>1,845,320</u>
Cash and Investments, June 30	<u><u>\$ 1,510,991</u></u>

#### TREASURER'S INFORMATION FUND

Receipts	\$ 698
Disbursements	<u>332</u>
Receipts Over (Under) Disbursements	<u>366</u>
Transfers In	0
Transfers Out	<u>0</u>
Receipts Over (Under) Disbursements and Transfers	<u>366</u>
Cash and Investments, July 1	<u>2,825</u>
Cash and Investments, June 30	<u><u>\$ 3,191</u></u>

#### CENTRAL CHECK MAILING SERVICE REVOLVING FUND

Receipts	\$ 83,462
Disbursements	<u>71,809</u>
Receipts Over (Under) Disbursements	<u>11,653</u>
Transfers In	0
Transfers Out <sup>1</sup>	<u>(9,824)</u>
Receipts Over (Under) Disbursements and Transfers	<u>1,829</u>
Cash and Investments, July 1	<u>15,172</u>
Cash and Investments, June 30	<u><u>\$ 17,001</u></u>



## Appendix A

Office of State Treasurer  
Statement of Receipts, Disbursements, and Changes in Cash and Investments  
Year Ended June 30, 2021

### ABANDONED FUND ACCOUNT FUND

Receipts	\$ 99,279,484
Disbursements	<u>46,350,824</u>
Receipts Over (Under) Disbursements	<u>52,928,660</u>
Transfers In <sup>2</sup>	4,500,000
Transfers Out <sup>3</sup>	<u>(52,876,120)</u>
Receipts Over (Under) Disbursements and Transfers	<u>4,552,540</u>
Cash and Investments, July 1	<u>26,106,721</u>
Cash and Investments, June 30	<u><u>\$ 30,659,261</u></u>
 Total Cash and Investments, June 30, All Funds	 <u><u>\$ 32,190,444</u></u>

<sup>1</sup> Transfers Out generally include payments for fringe benefits and the state's cost allocation plan.

<sup>2</sup> Transfers In generally include the receipt of outdated state checks by the Abandoned Fund Account Fund.

<sup>3</sup> Transfers Out generally include payments for fringe benefits, distribution of excess cash balance of the Abandoned Fund Account Fund to the General Revenue Fund and the State Public School Fund, and distribution of certain unclaimed property values to the Mental Health Trust Fund in accordance with state laws.

The accompanying Notes to the Appendixes are an integral part of this statement.

Appendix B

Office of State Treasurer  
Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2021			2020		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
GENERAL REVENUE FUND						
Issuing duplicate/outlawed checks	\$ 3,000,000	2,973,294	26,706	3,000,000	2,629,571	370,429
Refunds of excess interest from the linked deposit program	2,500	1,289	1,211	2,500	198	2,302
Total General Revenue Fund	3,002,500	2,974,583	27,917	3,002,500	2,629,769	372,731
STATE TREASURER'S GENERAL OPERATIONS FUND						
Personal service	1,919,774	1,663,478	256,296	1,896,299	1,663,277	233,022
Expense and equipment	856,195	149,156	707,039	355,672	238,840	116,832
Mileage reimbursement	0	0	0	523	0	523
Operation of state-owned facilities, utilities, systems furniture, and structural modifications - expense and equipment	191,765	191,765	0	188,565	188,565	0
Total State Treasurer's General Operations Fund	2,967,734	2,004,399	963,335	2,441,059	2,090,682	350,377
TREASURER'S INFORMATION FUND						
Preparation and dissemination of information or publications, or for refunding overpayments	8,000	332	7,668	8,000	243	7,757
Total Treasurer's Information Fund	8,000	332	7,668	8,000	243	7,757
CENTRAL CHECK MAILING SERVICE REVOLVING FUND						
Personal service	13,114	12,764	350	12,923	12,534	389
Expense and equipment	100,000	59,045	40,955	100,000	58,258	41,742
Total Central Check Mailing Service Revolving Fund	113,114	71,809	41,305	112,923	70,792	42,131

## Appendix B

### Office of State Treasurer Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,					
	2021			2020		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
ABANDONED FUND ACCOUNT FUND						
Personal service	668,102	586,082	82,020	658,955	573,136	85,819
Expense and equipment	98,600	47,872	50,728	98,600	60,894	37,706
Advertising and auctions	1,475,000	1,175,542	299,458	1,475,000	1,244,768	230,232
Payment of claims for abandoned property transferred by holders to the state	49,000,000	44,603,811	4,396,189	49,000,000	38,218,447	10,781,553
Total Abandoned Fund Account Fund	51,241,702	46,413,307	4,828,395	51,232,555	40,097,245	11,135,310
Total All Funds	\$ 57,333,050	51,464,430	5,868,620	56,797,037	44,888,731	11,908,306

The accompanying Notes to the Appendixes are an integral part of this statement.

## Appendix C

### Office of State Treasurer Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Salaries and wages	\$ 2,262,325	2,248,947	2,175,245	2,178,205	2,132,503
Travel, in-state	1,008	13,217	8,847	5,840	7,970
Travel, out-of-state	484	8,671	17,625	16,927	16,941
Supplies	236,342	209,143	227,789	235,495	224,035
Professional development	20,883	25,194	27,206	31,318	24,543
Communication services and supplies	122,151	113,161	101,110	116,255	93,507
Services:					
Professional	940,372	1,075,546	1,099,114	1,082,089	1,328,315
Housekeeping and janitorial	1,688	1,980	2,145	1,815	1,980
Maintenance and repair	58,260	84,011	80,621	80,463	78,979
Equipment:					
Computer	50,342	10,610	83,644	28,767	16,968
Motorized	0	47,176	0	0	0
Office	0	5,600	5,722	31,658	57,827
Other	0	0	1,375	15,473	823
Debt service <sup>1</sup>	0	0	0	0	10,000,000
Building lease payments	191,765	192,981	193,192	185,629	185,113
Equipment rental and leases	0	15	0	45	3,470
Miscellaneous expenses	417	4,263	6,622	3,780	4,559
Refunds	1,289	198	208	694	0
Program distributions:					
Aid to local governments <sup>1</sup>	0	0	0	0	2,000,000
Abandoned funds claim payments	44,603,810	38,218,447	43,372,088	43,734,033	43,082,600
Replacement of outlawed checks	2,973,294	2,629,571	1,888,025	1,803,708	3,101,374
Total Expenditures	\$ 51,464,430	44,888,731	49,290,578	49,552,194	62,361,507

<sup>1</sup> In the fiscal year 2017 budget, the General Assembly moved the appropriation for the state's share of debt service and maintenance payments for the Edward Jones Dome from the Office of Administration to the Office of State Treasurer. At the Office of State Treasurer's request, the appropriation was moved back to the Office of Administration in the fiscal year 2018 budget.

The accompanying Notes to the Appendixes are an integral part of this statement.

# Appendix D

## Office of State Treasurer Comparative Statement of Funds in Custody of State Treasurer

		June 30,				
		2021	2020	2019	2018	2017
<b>APPROPRIATED FUNDS</b>						
Demand Deposits:						
US Bank	\$	2,468,047	1,753,729	339,723	190,783	1,006,127
Central Bank		(81,910,694)	(38,912,763)	(110,197,759)	(63,968,235)	(84,044,969)
Wells Fargo Bank		59,591,941	60,005,009	2,503,721	10,103,874	5,384
Commerce Bank		16,129,790	10,758,154	1,141,197	1,168,616	3,611,892
UMB Bank		4,602,369	2,369,409	166,337	107,057	93,945
Collection bank accounts		2,321,181	2,801,637	2,227,451	2,774,502	2,985,918
Total Demand Deposits		<u>3,202,634</u>	<u>38,775,175</u>	<u>(103,819,330)</u>	<u>(49,623,403)</u>	<u>(76,341,703)</u>
Pooled Investments:						
Time deposits		193,316,922	366,673,666	373,181,821	498,249,439	454,627,838
U.S. government securities		5,403,913,567	3,419,134,912	2,543,993,000	2,295,041,372	2,367,934,784
Commercial paper and banker acceptances		549,859,611	399,392,194	0	0	0
Repurchase agreements		2,158,591,000	1,738,646,000	1,258,562,000	1,166,852,000	780,508,000
Total Pooled Investments		<u>8,305,681,100</u>	<u>5,923,846,772</u>	<u>4,175,736,821</u>	<u>3,960,142,811</u>	<u>3,603,070,622</u>
Total Demand Deposits and Pooled Investments		<u>8,308,883,734</u>	<u>5,962,621,947</u>	<u>4,071,917,491</u>	<u>3,910,519,408</u>	<u>3,526,728,919</u>
Special Fund Dedicated Investments:						
U.S. government securities		64,607,356	59,648,576	57,292,398	55,112,253	52,812,899
Donated corporate stock		5,130	5,130	5,130	5,130	5,130
Total Special Fund Dedicated Investments		<u>64,612,486</u>	<u>59,653,706</u>	<u>57,297,528</u>	<u>55,117,383</u>	<u>52,818,029</u>
Total Appropriated Funds		<u>8,373,496,220</u>	<u>6,022,275,653</u>	<u>4,129,215,019</u>	<u>3,965,636,791</u>	<u>3,579,546,948</u>
<b>NONAPPROPRIATED FUNDS</b>						
Demand deposits		<u>12,840,639</u>	<u>13,552,430</u>	<u>12,950,572</u>	<u>13,141,371</u>	<u>13,003,465</u>
Total Nonappropriated Funds		<u>12,840,639</u>	<u>13,552,430</u>	<u>12,950,572</u>	<u>13,141,371</u>	<u>13,003,465</u>
Total Cash and Investments	\$	<u>8,386,336,859</u>	<u>6,035,828,083</u>	<u>4,142,165,591</u>	<u>3,978,778,162</u>	<u>3,592,550,413</u>

The accompanying Notes to the Appendixes are an integral part of this statement.

Appendix E

Office of State Treasurer

Comparative Statement of Interest Received on Pooled Investments

		Year Ended June 30,				
		2021	2020	2019	2018	2017
INTEREST RECEIPTS						
Appropriated funds	\$	36,264,936	76,066,140	75,018,369	47,231,264	27,978,208
Total Interest Receipts	\$	36,264,936	76,066,140	75,018,369	47,231,264	27,978,208

The accompanying Notes to the Appendixes are an integral part of this statement.



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## Notes to the Appendixes

### 1. Basis of Presentation

Amounts presented in Appendixes A through E are reported on the budgetary or cash basis of accounting. The budgetary basis recognizes revenues as cash is received and expenditures as cash is disbursed. Missouri issues an Annual Comprehensive Financial Report (ACFR) for each fiscal year ended June 30, in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial activity of the Office of State Treasurer is included in the ACFR.

The amounts presented in Appendix A represent receipts, disbursements, transfers, and cash and investment balances of funds that are dedicated to the activities and programs of the office.

The amounts presented in Appendixes B and C represent funds appropriated to the office by the Missouri General Assembly and expended by the office.

The amounts presented in Appendixes D and E represent all funds in the state treasury and all trust funds in the custody of the State Treasurer.

State treasury funds are subject to appropriation; trust funds are not. The appendixes do not include any funds or investments that are not in the custody of the State Treasurer.

### 2. Cash and Investments

Article IV, Section 15 of the Missouri Constitution establishes the State Treasurer as custodian of all state funds and funds received from the U.S. government. This section further authorizes the State Treasurer to place all such money on time deposit, bearing interest, in Missouri banking institutions selected by the State Treasurer and approved by the Governor and the State Auditor, or in obligations of the U.S. government or any agency or instrumentality thereof maturing or becoming payable not more than 5 years from the date of purchase. In addition, the State Treasurer may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. The State Treasurer may also invest in banker's acceptances issued by domestic commercial banks possessing the highest rating issued by at least 2 nationally recognized statistical rating organizations and in commercial paper, issued by domestic corporations receiving the highest rating issued by at least 2 nationally recognized statistical rating organizations. Investments in bankers acceptances and commercial paper shall mature and become payable not more than 180 days from the date of purchase, maintain the highest rating throughout the duration of the investment and meet any other requirements provided by law. The State Treasurer shall prepare, maintain, and adhere to a written investment policy that shall include an asset allocation plan limiting



Office of State Treasurer  
Organization and Statistical Information

the total amount of state money that may be invested in each investment category authorized by law.

## Deposits

The State Treasurer maintains approximately 39 demand deposit bank accounts that serve as the state's primary operating accounts, and 81 additional demand deposit bank accounts throughout the state, some with multiple depositing locations, that serve as collection accounts for various state agencies. Cash balances in the state's operating accounts that are not needed for immediate use are invested.

The demand deposit accounts on Appendix D are used to manage the state's daily receipt, disbursement, and transfer activities and to segregate funds available for investing. The demand deposit accounts consist of the following:

### Demand Deposit Accounts

	June 30, 2021		June 30, 2020		June 30, 2019	
	Bank Balance (\$)	Number of Accounts	Bank Balance (\$)	Number of Accounts	Bank Balance (\$)	Number of Accounts
US Bank	2,468,047	1	1,753,729	1	339,723	1
Central Bank	127,171,579	28	136,164,728	30	31,494,061	30
Commerce Bank	16,192,384	8	10,776,522	8	1,238,809	8
Wells Fargo	60,000,000	1	60,000,000	1	2,500,000	1
UMB Bank	4,602,369	1	2,369,409	1	166,337	1
Collection bank accounts	2,429,588	81	2,822,166	83	2,242,413	84

Banking service agreements on the operating demand accounts allow the State Treasurer to invest outstanding checks up until the checks clear the bank, thereby investing an amount in excess of book balances. Negative balances at June 30 (Appendix D) for any bank's appropriated funds demand deposits represent the book balance net of amounts invested.

The State Treasurer's deposits at June 30, 2021, were entirely covered by federal depositary insurance or by collateral securities held by the custodial banks in the State Treasurer's name.

To protect the safety of state deposits, Sections 30.270 and 110.020, RSMo, require depositaries to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation.

## Investments

The State Treasurer's investments at June 30, 2021, are listed by type below to give an indication of the level of risk assumed by the state at year end. All investments are insured or registered, or have collateral held by the State Treasurer or a custodial bank in the state's name.





Office of State Treasurer  
Organization and Statistical Information

Investments in Custody of State  
Treasurer - June 30, 2021

		Reported Amount	Fair Value
Time deposits	\$	193,316,922	193,321,175
U.S. government securities		5,468,520,923	5,451,698,418
Commercial paper		549,859,611	549,952,847
Repurchase agreements		2,158,591,000	2,158,591,000
Other investments		5,130	126,295
Total investments	\$	8,370,293,586	8,353,689,735

Investments are recorded at acquisition cost except "other" investments, which are recorded at par. Investments in time deposits and repurchase agreements are acquired at face value and earn a stated interest rate. Investments in U.S. government securities are acquired at fair value and mature at face value.

### 3. Special Fund Dedicated Investments

The State Treasurer is assigned the authority for recording direct investments of special funds in the accounting system. The amounts presented as special fund dedicated investments in the appropriated funds on Appendix D include funds under the control of certain state agencies that represent specific investments made or held by the State Treasurer on behalf of the Pansy Johnson-Travis Memorial State Gardens Trust Fund and the State Public School Fund. The State Treasurer is responsible for purchasing, custodial, income collection, distribution, and record-keeping duties related to the investments of these funds.

The investments of the Pansy Johnson-Travis Memorial State Gardens Trust Fund are maintained in the instruments transferred to the State Treasurer from the previous trustee of the fund. The investment purchases for the State Public School Fund are made in accordance with the instructions of the State Public School Fund investment committee.